VOLUME TRADING

HOW TO USE VOLUME TO FIND MULTI-BAGGER STOCKS

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I dedicate this book to my mother who is not with me anymore but I know her blessings are there with me always.

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Jayesh Shah

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CHAPTER 1

INTRODUCTION

"Focus is a matter of deciding the things that you are not going to do."

John Carmack

Volume is one of the most underrated indicators in stock analysis. I do not mean that traders and investors don't look at Volume before making their trading decisions. But when it should be on the top of their checklist, it either strays at the bottom or gets completely ignored.

One of my trader friends has at least 12 indicators and 6 overlays placed on his charting software. The indicators included on his charts are RSI, ADX, MACD, CCI, FAST AND SLOW STOCHASTICS, etc. Upper overlays include Donchian Channel, Parabolic SAR, Bollinger band, Ichimoku clouds, Supertrend, and Price band. One day when I asked him which one of these do he follow to make his trading decisions? He replied, "All of them."

One day I sat with him during his trading activity. He told me that he is going to buy a stock today as the market looks good. He ran his screener and came up with two potential candidates to buy for short-term positional trading. But here is when he got confused.

"RSI coming up from oversold region but MACD and CCI are not giving me buy signal. I am waiting for a stronger confirmation from OBV and Stochastics. I will wait till tomorrow. " He said.

He went through 10 charts that day but could not finalize on anyone. When CCI looked good, Stochastics didn't. When ADX gave an indication ,

RSI looked overbought. When OBV looked promising, the price looked far stretched up. He could not make any single trading decision that day. And this is not just one day. It's the case on most days.

If a cluttered workspace or desk can hurt our productivity and decision making then imagine what a cluttered chart will do to our minds?

I am not against these indicators at all. They are useful in their place. The Volume I will talk about in this book is also an indicator. But what matters in trading, or say in any area of life, is Focus. By putting out so many indicators and overlays on the chart you are spreading your focus too thin in all directions. That's where we miss what matters the most. **Price Action and Volume.**

Let's consider some of the legendary investors of the past. Nicolas Darvas used to wait for the stock to make a new all-time high with huge volumes before making his trading decisions. He never bought a falling stock. He was not interested in buying cheaper but was interested in buying at the right time.

Jesse Livermore talked about Pivotal point breaks with huge Volumes for making an entry. What did these investors focus on? Price Action and Volume. Have they fared well? Definitely! They made huge money from the markets and acted as inspiration for many traders and investors. They were the legends of the game.

This book will focus on how you can concentrate on only Price action and Volume and make money from the markets consistently. We will see how you can use Volume as your only guide when you make your entry and exit decisions.

We will also see how you can use Volume in a short-term positional trade which can give you a 15-40% return in a month. We will also see how you can use Volume as your guide for finding Multibagger stocks that give you 1000 % and more returns in a couple of years.

So, let’s begin this exciting journey.

CHAPTER 2

WHAT IS VOLUME

"If you are not willing to risk the unusual, you will have to settle for the ordinary"

Jim Rohn

By standard definition, volume is the total number of shares or contracts exchanged between buyers and sellers of stock during trading hours on a given day or a specific set period.

But let's go deeper into the importance of Volume. Volume indicates Energy. Volume indicates Life. Volume indicates Enthusiasm. Let's take an example here. Suppose a stock traded two thousand shares per day. So you can say the average daily volume is around 2000 shares per day. The stock goes nowhere and stays in a price range. You can safely call it a dead stock or stock without energy. It goes neither up nor down. You don't want to put your hard-earned money into such stocks and hope for a move that may never come.

But one day something unusual happens. The share Volume jumps from 2000 to 50000 that day and 1 lac the next day. Maybe the company decided to launch a new product, had an excellent quarterly report, received a new contract, change in management, etc. Whatever may be the reason, you can see that the dead stock is suddenly brought back to life. It has now got the energy needed to propel it to the higher plane. The enthusiasm of traders and a huge number of shares traded all of a sudden in a dead stock is the indication that something has changed and it invites you to be a part of that change.

Let's see the chart above. It is the chart of a stock XPRO INDIA. Look at the left side where you can hardly see any green or red bars on the charts. These bars indicate the volume of the shares traded per day. The stock traded an average of 1000-2000 shares per day. You can see by the flat move on the left of the chart. It went nowhere.

Then in mid-November, the stock traded 1.5 lac shares in a single day. This was a huge increase from the daily average. See the arrow on the chart and observe the huge green Volume bar below it. Whatever may be the reason behind this volume surge, we can surely say that there is a sudden increase in interest in an otherwise stagnant stock. As a result, the stock rose from the price of Rs 33 per share to Rs 300 per share in just 8 months.

Results like these stuns an investor. Go back and check yourself. See any significant price move and observe how the volume surge propelled the price. Observe the price action before and after the volume surge.

Volume gives you beforehand information about what is going to happen in the stock. Look at volume as Rocket fuel and Price as a Rocket. When the fuel ignites, it acts as a thrusting force and propels the rocket in the desired direction. You can take advantage of it and improve your trading results.

The exact process of how you will do it will be discussed in the subsequent chapters.

CHAPTER 3

VOLUME AT KEY AREAS

"Edges are found in the places that are the battleground between the buyers and the sellers. Your task as a trader is to find those places and wait to see who wins and who loses."

Curtis Faith

Volume becomes more important when it appears in Key chart areas. When Volume surge is validated by a confirmatory Price Action the chances of your success increases. Let's look at the Key areas where you should pay special attention to Volume surges.

1. Support and Resistance areas
2. 52-week highs and lows
3. Important Moving Averages

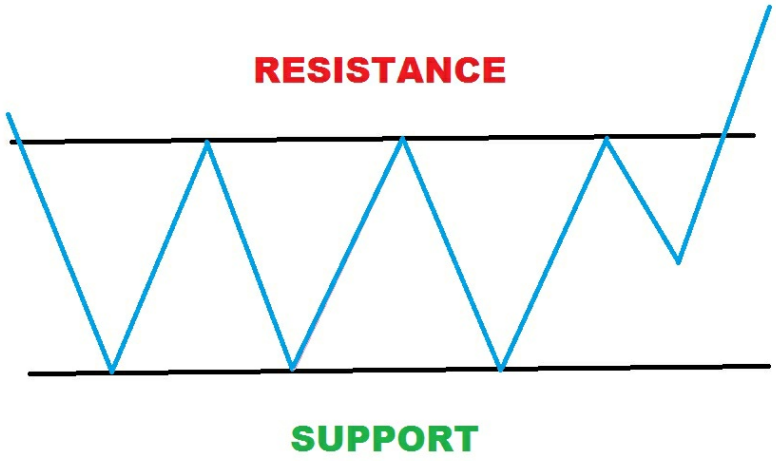
SUPPORT AND RESISTANCE AREAS

Before going into the importance of Volume in these areas let's explore what these areas mean.

In simple language, **Support** is an area where falling stocks halt and reverse.

Similarly, **Resistance** is an area where an advancing stock halt and reverse.

These meanings get reversed in short selling but as we focus more on long trades most of the definitions in this book will be relevant to long positions only. Let's look at the image below to understand support and resistance.



Now let's look at the picture from left to right. The stock fell and reached a point where it stopped and moved up. This area will be known as support as it halted or supported the falling price. Now the stock keeps moving up until it reaches a point where it could not proceed further and slides down. This area is known as resistance as it resisted further price moves ahead. The falling stock now again reaches the area from where it went back up previously, the support area. It again moves up from the support area. **This tells us that buyers are coming to that particular area and prevents further downslide**. The support becomes stronger as buyers have pushed prices up two times now from the same area.

Now the rising stock reaches the area from where it fell previously, the Resistance area. The stock touched it and fell again. The Resistance area became stronger as it's confirmed that sellers overwhelm buyers at that point. This cycle continues till there is a breakout.

Our job as a long position trader is to pay special attention when the stock reaches the Resistance area. Look for the price to break that area and surge ahead, **The Breakout.**

What the breakout suggests to us is that buyers managed to push the price through resistance. They have managed to defeat the sellers in their den. The area from where sellers pushed the prices down multiple times is now no longer a seller's area. So the stock can rise easily from here.

But here is the catch. 70% of all breakouts fail. So how will you find which ones are True and which ones are false? **Volume** is your answer.

Look for extraordinary volume when the price breaks a strong resistance area. The breakout day volume should be **at least twice** the average daily volume of the stock during the breakout. **Larger the breakout day volume the better.** As we have already discussed, Volume denotes enthusiasm and energy. It validates a move. You want your breakouts to be validated by a surge in volume. If not then stay away because breakout with feeble volume is prone to failure.

Now let's see the below chart for understanding it better.

In the above chart, you can see how the price 240 acted as a resistance area. Price touched it two times and failed to cross it both times. However, in the third attempt, the buyers stepped in with force and managed to push the price up to and beyond the resistance area. Daily volume surged from 34000 shares to 2 lacs shares on the breakout day. That's the go signal. You can see in the chart that the stock moved 50% in just 2 weeks post-breakout.

52 WEEKS HIGHS AND LOWS

The breakout you have seen in the previous chart was also a 52-week high. It was a 52-week breakout with above-average volume. So always look at 52-week breakouts with huge volumes. **Here the most important point is to remember that relative size is important and not the actual size.** For

example, if a share is already trading 50 lacs shares per day, a 70 lacs volume is not a volume surge. But if a share traded only 10 lac shares per day and suddenly breaks out with 70 lacs volume it is a Volume Surge. Get into it quickly.

The same logic applies near 52-week lows. If bottom fishing suits your trading style look for Huge Volume reversals at the 52-week low. But always remember, a stock price justifies its strength. Possibilities are that the stock is down and touched 52 weeks low because of a valid reason. Many companies keep hitting new 52-week lows even after a huge Volume surge only to be suspended from trading. So be very cautious while bottom fishing. In the trading world, there is a warning for this. **Never catch a Falling Knife.** Yes, many traders make good money by trading 52-week lows. But if you are new to the trading arena, I would recommend you not to venture that path.

MOVING AVERAGE

Moving averages are lagging indicators. They tell you what has happened with the price. But sometimes a break from below and a bounce back from a key Moving average leads to explosive moves. All you need to pay attention to is to calculate the energy and strength behind that move. How would you do that? Bingo! You have started guessing it right. It's the Volume surge.

As I have already mentioned before, I am not in favor of crowding my charts with so many indicators and overlays. But I keep 3 specific moving averages on my charts. They are 20, 50, and 200-period moving averages. The 20-period moving average is used by short-term traders for their trading decisions. Similarly, the 50-period moving average is used by intermediate-term and the 200-period moving average is used by long-term traders. By keeping all three on my charts I can easily make my trading decisions.

Let's look at the chart below

Look at the left of the chart. The daily volume was 70000 on average and the price fluctuated just below the 20 and 50 periods moving average. Then, the price broke out above the 20 and 50 periods moving average with more than 6 lacs shares traded that day. This was the signal. You can see how there were very small volume bars before that Moving average breakout and then how one Volume surge led to increased volume daily.

That Volume surge also gave rise to a new trend in which the stock appreciated more than double in just 3 months and if you look closely at the chart the trend is still valid and continuing to date.

So always pay special attention to exactly where on the chart the volume surge is happening. Identify the key areas that we have discussed in this chapter and look for Volume Surge. This will improve your overall trading manifolds.

CHAPTER 4

VOLUME AND CANDLESTICKS: A DEADLY COMBINATION

"It isn't as important to buy as cheap as possible as it is to buy at the right time."

Jesse Livermore

Candlesticks charts add an edge to your trading. Volume rise becomes even more significant when it occurs with an equivalent price rise. Candlesticks charts are the best in depicting these price patterns.

When you are looking for an ideal breakout, you want the breakout day to not only have huge volume but a large candle formed closing at the top of its daily range. Why? Because it confirms the strength of the buyers. It shows that buyers are not only coming in huge numbers but are also willing to pay a higher price for the stock. That's why a large candle is being formed.

You don't want a breakout day candle to be a Doji or a bearish candle. A Doji on breakout suggests that there is indecision even after a significant Volume rise. This is not an ideal scenario for taking a position.

A bearish candle on a breakout is even more dangerous. It suggests that the volume increase is in favor of the sellers who managed to sell heavily with the breakout and resulted in forming a bearish candle on the breakout day.

So, you can see how a strong candle adds an edge to your Volume-based decisions. See and study the past price patterns and observe how a strong candle breakout had an edge over a weak candle breakout.

Now let's look at some common price reversal patterns and the importance of Volume in each one of them. We will not go deeper into how these patterns are formed. What we will focus on is how these patterns can be

super profitable for you

BULLISH ENGULFING

Bullish engulfing is one of the most commonly occurring price reversal patterns. Here if you observe the picture shared below you can identify that the second candle is bigger than the first one. The candle opened below the low of the previous day and then ended the day above the high of the previous day, completely engulfing the previous candle in the process. It suggests that the bulls have regained control of the price and completely managed to reverse the bearish move of the previous day. So ideally you would like to see a Volume rise along with the price rise.

See the chart above and observe how the large candle completely engulfed the previous day's candle. The volume also rose from 18 lacs to 23 lacs shares which indicated that the pattern is strong. As you can see in the chart it resulted in a strong up move that gave 50 % return in just 2 weeks.

If you see that the bullish engulfing pattern is formed but the volume is not more than the previous day, don't enter the trade.

BULLISH PIERCING PATTERN

The piercing pattern is also similar to the Bullish engulfing pattern with the only difference being that the price pierces deep into the body of the previous day but doesn't go above the Open of the previous day.

Here again, you would want the second-day volume to be higher than the first one. If this is not so, don't enter.

BULLISH HAMMER PATTERN

Hammer Pattern is also one of the strongest reversal patterns. Here the volume on the hammer day is most important.

The high volume formed with a large lower wick suggests to you that after the open bears managed to push the prices down but sometime during the day the bulls came in full force and pushed the prices up. Hence the long lower wick and the resultant Hammer formation. So a good Volume on hammer formation is an indication of the strength of the bulls. You can enter the next day above the high of the hammer day.

As you can see from the 3 reversal patterns discussed in this chapter Volume plays an important part in any pattern.

Volume adds validity to the pattern. **A pattern made with feeble volume is prone to failure** and on the other hand, **huge volumes on the deciding day of the pattern formation is an indication to go long.**

I can include many more patterns and can go deep into the analysis part of how these patterns form but I think you have got the point. Look for Volume to be on your side before trading any chart pattern. That’s the key thing to look for before you take an entry.

CHAPTER 5

A SECRET STRATEGY FOR TIMING YOUR ENTRY

"Keep it simple. Simple time-tested methods that are well executed will beat fancy complicated methods every time"

Curtis Faith

All successful traders of the past and present experienced success in the markets because they followed a system. They have clear rules for entry and exit. They are ready to wait for the proper setup to appear and never jump into any average-looking setup. They cut their losses quickly if the trade goes against them.

They show tremendous discipline in executing their plans. They will not take a trade until it flashes a go signal according to the system they follow. They will not trade based on tips and recommendations. After receiving a tip from the friend, they will go deep into whether that "tip" fits into their trading system or not. If not, they completely ignore it. They never lower their stop loss. This discipline guarantees their success in the markets.

Study the legendary investors of the past and you will understand the role of a well-defined system in their success. Jesse Livermore would wait for a significant break of pivotal points by at least 5 points or more before entering it. Nicolas Darvas would wait for the stock to break above the top of its topmost box with high volume before entering the trade. William J. O'Neil's CANSLIM is a complete system in itself.

Having a system in place gives you the edge in the trading arena. Having fixed entry and exit rules saves you from the impulsive and emotional trading that many new traders do every day.

RULES FOR ENTRY

Below are the entry rules. They are for long positions only.

1. Today (Day 1) must be a 52-week high.
2. The candle formed today should close at or near the top of the day's range.
3. Today's volume should be more than double the average daily volume of that stock over the past month.
4. If all the above conditions are met, we buy the stock on Day 2, one point above the Day 1 high.

Now let's explore the reasons behind these rules so that you are very clear why you should stick with them.

Why a 52-week high?

A stock's internal strength is validated by its price. If the stock is trading at a 52-week high there must be a good reason for it to do so. If the stock is not good, not many people would have shown interest in it and it would be stagnant in a range. If the stock was too bad then many people would look to exit it as soon as possible and it would be going down by the repeated selling. But the stock is touching 52 weeks high. It means that there is something good in the company that attracted the investors and the price has been pushed to touch its 52 week high.

Many people are afraid to buy at a 52-week high. They sell at a 52-week high and that's where they lose an opportunity to ride big with their winners. Professionals buy them from you at these highs and sell them to you again at a much higher price when you feel you have missed the boat and jump in emotionally.

Also, stocks touching 52 weeks high are the ones that have proved themselves to be a winner. How will you make money with your long positions if your stock keeps going down and down? You want your stock to remain in an uptrend as long as possible

and keep hitting new 52-week highs in the process.

That is how money is being made by long-term traders. They don't sell at a 52-week high. On the other hand, they become happy when their selected stock hits a new high after their purchase. It shows that their decision was right and the stock is rising as expected.

Why does a Strong Candle close on Breakout?

As we have discussed before, a strong candle close denotes the force behind the move.

Ideally, you want a large candle on the breakout day that closes at the top or near its top, forming a very small upper wick compared to its body.

You want the breakout candle to show strength before you commit your hard-earned capital.

You don't want a breakout day candle with a large upper wick. It would suggest that sellers managed to push the prices down after the breakout. Not an ideal scenario. Also, a Doji on breakout means indecision on the part of both buyers and sellers. You don't want that either.

Candles show us a clear picture of who has taken control at the end of the day, Bears or Bulls. You don't want to be on the losing side while entering the trade.

Sometimes a stock breaks the 52 weeks high only to reverse and fall drastically. Let me explain what happens. A few traders play smart at 52 week high. They buy a small lot to push the price above 52 weeks high. If they see that the price is not sustaining at the high, they immediately change their positions to the short side. Then they ride the stock downwards.

So always look for a long candle with a strong close at the breakout. Wait till the day's end to confirm who is winning the battle between the Bears and the Bulls. Then you can make your decision.

Why Volume surge at breakout?

I think by now the answer to this question should be very clear. This whole book is about the power of Volume surge to validate your decisions. When you decide to trade a breakout you want the Volume to be higher than the average, thereby indicating the force, enthusiasm, and momentum behind that move. You don't want feeble volume during the breakout. Also, you don't want average volumes during the breakout.

Breakouts are a very important phenomenon. It attracts momentum and long-term traders. More the volume of a breakout more the chances of success.

The volume also helps you not get caught in the false breakout. False breakouts have low to moderate volume and it should warn you of a possible reversal.

That is why it is important to look at volume and wait for a strong close above the previous 52 weeks high to go long.

Why take a position the next day?

There is a very strong reason to buy only the next day. The reason is the same as discussed above. You don't want to get caught in a strong intraday reversal on the breakout day.

Some traders wait till the last 10 minutes of the day to be on the right side of the trade. But I have seen some very strong reversal in the last 5 minutes or so. These are sharp and drastic falls and the buyer gets trapped. **A CLOSE is not a CLOSE until it closes**. Hope you got the point.

Next day also don't place your buy order at the open. Sometimes after a strong close the previous day, the next day the stock opens with a huge gap up and reverses back. Your order is then executed at the highest point of the day and you are at loss immediately. So wait for the first few minutes the next day.

A small gap up is of no concern. Just wait for the price to sustain above the previous high for 15 minutes and take your entry. A negative open should be dealt with caution. Wait for the stock to move back up and cross

the previous day's high. If not then stay away. Sometimes, most traders who held the stock for long miss the breakout day due to their work or busy schedule. They see the price at night and get happy that now they can sell at a breakeven point. They sell immediately in the morning and leave for their work. It leads to a negative opening for the day. Happy buyers then come in and take the prices up again.

After entering the stock keep your initial stop loss below the low of the breakout day candle (Day 1). Ride the trend till you get the exit signal. More about this in the next chapter.

Remember, by having exact rules for your buys and sells you automatically move into the top 5 % of traders. Frank Mylnarczyk correctly said, "5% of investors know what they are doing, 10% follow the 5%, and 85% have an extremely difficult time".

So strive to be in the top 5%. Be disciplined enough to abide by your rules and success will follow.

CHAPTER-6

RULES FOR EXITING YOUR TRADES

"Letting losses run is the most serious mistake made by most investors."

Benjamin Graham

In trading, a proper exit strategy is even more important than the entry. I have seen many traders give back all their gains due to a lack of a proper exit strategy. A trader without an exit plan makes money only to give it back during the reversal. He also loses money on his losing stocks because he doesn't exit on time and allows the losses to grow.

Let's take an example. You bought a stock at Rs 100. It moves on to Rs 106 the next day giving you a 6 % profit. You hold on. On day 3 the stock began falling and moved down to 104. You get frightened that your profits are reduced to only 4% and you should exit before it wipes out all your profit. You place your sell order and the stock is sold at an average price of 103. You take 3% profit and become happy. You check the price after one month and the stock is now at Rs 130. You have sold too soon.

Let's imagine the second scenario. You bought a stock at Rs 100. The next day it fell to Rs 98. You think "No big deal. It will come back up tomorrow." It doesn't.

The stock keeps going lower and lower and you keep hoping that it will come back up eventually. It touches 80 and still instead of selling you think of averaging down. You buy more shares to bring your average buy price lower. You completely ignore that the price fall could be because of a valid reason. The stock reaches 50 in a month and you lose all hope. You know that it has to make a 100% move from here (Rs 50 to Rs 100) to have your money back. You sell with a huge loss because you can't bear more.

The above examples are not imaginary. Such scenarios happen with traders regularly. That's how more than 80 percent of the traders lose money in the markets.

Such a situation can be avoided by having a proper exit plan in place. You should have an exit plan for both scenarios whether the stock moves in favor or against you. Let's study both the scenarios and what you should do when you face them.

WHEN YOU ARE IN PROFIT

It's the scenario that every trader wants. You buy a stock and it shows you a profit in a day or two, however little it may be. Here also you should look at Volume to decide what to do next.

If you are making a small profit then don't look to book your profits early. Let the Price action and Volume guide you on what to do next.

After your entry, place an initial stop under the low of the breakout day candle. **Never, I repeat Never lower down your initial stop loss.** Many traders fail to make consistent money in the markets because they are unable to cut their losses quickly.

Now pay a close look at the price action. In an ideal scenario, Volume should be up on up days and should dry up significantly on down days. We call this a "Low Volume Pullback" which is good. It signifies there is not much heavy selling at the top and more up move is possible. But if you see a high volume selling the day after your entry just raise your stop loss below the low of the breakout day candle.

In this way you can prevent yourself from giving back all the accumulated profits. One more strategy you can follow is to take out half of your profits when the price touches your target point. Let's say 20 or 25% up from your purchase price. Then let your remaining half position ride till you see a trend reversal. In this way, you will be right whatever happens. If the stock falls, at least you have sold half of your position in decent profits and can sell the remaining half at the breakeven point. If the other half runs up,

enjoy your home run!

Let the remaining half ride as long as you want. You can also allow it free space to move about as it has already given you a decent profit.

WHEN YOUR POSITION IS AT A LOSS

This is the most painful scenario for any trader. You buy a stock and it immediately shows you a loss. You wait and the loss keeps mounting. It tests even the most astute traders.

This is where having a firm initial stop loss is a must. A genius trader can be right only 40 percent of the time and can still make money if he lets his winners run and cut his losses quickly. Some of us do exactly the opposite. That's why our results are average.

Place an initial stop loss under the low of the breakout day candle. If the price goes below that, sell immediately and get out of it.

Warren Buffet's two most famous rules are:

1. Rule no 1: Never lose money. and
2. Rule no 2: Never forget Rule no 1.

The above 2 rules are the heart and soul of trading. If you lose all your capital how will you invest again? If you lose all your men on the first day of the battle, who will fight for you on the second day? In trading, the first focus should be to save your hard-earned capital and then to make money.

People allocate a huge sum of money, even more than they could afford to lose, in one trade hoping to make a killing. Then when the stock tanks they keep hoping that it will be back up soon. They hardly act quickly only to find out that now it's too late to act.

Don't let this happen to you. **Never lower down your stop loss.** Accept your mistake and get out with a small loss. You will find many good trades to trade if you do so.

Let's take an example. You have 1 lac capital and you put it all in one

stock named “A”. You made a 5% loss in that and your capital is now reduced to 95000.

You take a second trade investing all 95000 Rs in stock named “B” and again lose 5000 in it. Now your capital is reduced to 90000.

You now invest Rs 90000 in the stock named C and it took off. You see the stock appreciates 50% in a quick time. Your 90000 is now 1,35,000.

If you look closely, you had only one winning trade out of 3. **A success rate of only 33.33% but still you made good money.** How? Because you cut your losers quickly and allowed your winners to ride.

Keep your complete trading plan ready before you take the trade. Decide your stop-loss point. Decide how much you are willing to lose if your trade goes wrong. Also, decide what will be your exit strategy if the trade goes in your favor. Will you take half your position out at 25-30% gain and let your other half run, or take the complete position out satisfied by your gains?

Having a trading plan keeps your mind clear from the ups and downs of the market and allows you to trade more logically than emotionally. Your trading results will improve dramatically.

CHAPTER 7

HOW TO USE VOLUME TO FIND MULTIBAGGER STOCKS

“ Momentum is an amazing thing when it is working in your favor.”

Simon Mignolet

A stock that doubles its price is called a two-bagger. If the price grows 10-times, it is a 10-bagger. A 100 bagger is a stock that gives 100 Rs back for every 1 Rs investment. Thus, multi-baggers are stocks whose prices have risen multiple times their initial investment values. You only need one or two of such stocks in your portfolio to make a fortune.

Now the real challenge lies in how you will find such stocks. Here you must understand the principle of momentum. You cannot create a fit body by hitting the gym only for one day and never showing up again. To send a rocket into space continuous thrust is needed. Similarly, one day of Volume spike does not create Multibaggers.

Most of the Volume spikes on breakout day are followed by good volumes for a day or two. Price also rises with this volume surge. But as the volume dries down, the price either falls or goes back in the range. Sometimes it takes months and years to break the high created by this volume surge. A stockholder keeps waiting.

If you want to have multibagger stocks in your portfolio you need to find stocks that show volume surges for days together.

Let’s take an example. NAHAR SPINNING MILLS’s Stock traded at Rs 36 in August 2020. One day the volume surged to 1.3 lacs from the daily average of 14-15 thousand. It propelled the price to 42. But then the volume dried up and the stock went sideways. The price remained in the range of 36 to 44 for 3 months neither going up nor down. The average daily volume

again came down to 13-14 thousand.

But in November the breakout came with a volume of 2 lacs on the breakout day. This time the move was a sustained one.

The volume remained high for the whole month trading in the range of 90000 to 1.3 lac shares per day. We can sense that something has changed for the good of the company and that's why there is such a huge interest developed in the stock. It was not a one-time spike but a sustained volume surge for days together. As a result, the stock moved from 43 to 400 in just 8 months. A huge 830% return on investment.

Let's see another example. XPRO INDIA traded between Rs 16 to 20 for a long time. The average volume was 8000-10000 shares per day. Then in June 2020, the breakout came which saw the stock rise from Rs 16 to 34 on huge volumes.

The Volume swelled to 1-2 lacs shares per day and it continued to have the high volume up days for 2 weeks straight. This was the sustained move that was required as a launchpad. The stock corrected on low volumes for 2 months only to begin the stellar rise. Within a year the stock reached the high of Rs 320 and is continuing its rise. It was a 1500% move from Rs 20 to Rs 320 in just over a year.

There are many such examples where a sustained volume surge for a month or two propelled the stock to dizzy heights. Check out the winners of the past and find these volume surge areas.

One thing more you can do is to plot a weekly chart on your charting software and look for consecutive high-volume weeks. This will warn you about an upcoming big move and you can take your positions in advance. Let's observe the chart below.

This is the weekly chart of Nahar Spinning Mills. Look at the bottom left of the chart where weekly volume is comparatively low. Then look at the arrow pointer. You can see consecutive 3-4 weeks of high volume up move. It was just the thrust needed for a huge move. The stock moved from Rs 46 to Rs 414. An 800% move in just 8 months.

GODAWARI POWER AND ISPAT moved sideways with a daily average volume between 50-60 k. In August 2020 for 5 consecutive days, the stock showed volumes above 2 lacs shares per day. It went up from 176 to 240 in these 5 days.

But this huge consecutive price and volume surge indicated that there is more to come. The stock went from 240 to 1800 in just one year. A huge 650% gain in one year.

(c) Chartink.com
GPIL (Daily) 1581
Vol: 0.1184M
EMA (20) C -> 1552.16
EMA (50) C -> 1361.23
EMA (200) C -> 872.06
Aug 19 Sep Oct Nov Dec Jan 20 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan 21 Feb Mar Apr May Jun Jul Aug

TANLA SOLUTIONS traded on a daily average volume of 2-3 lacs shares. In July 2020 it traded 5 consecutive days with volume above 11 lacs per day. The stock went up from 100 to 900 in just 5 months. There were periods of consolidation in between where the volume went back to 2-3 lacs per day. But all subsequent breakouts had above average volumes. It resulted in an 800% move in just one year.

(c) Chartink.com
TANLA (Daily) 958.5
Vol: 0.0418M
EMA (20) C -> 925.62
EMA (50) C -> 895.06
EMA (200) C -> 738.43
Aug 19 Sep Oct Nov Dec Jan 20 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan 21 Feb Mar Apr May Jun Jul Aug

There can be multiple examples given about volume surge and multi-baggers, but I think the point is clear now. So let Volume be your guide in following Multibaggers. Study past winners and refine your skills. Keep your focus on those sustained Volume surges and you will find your multi-baggers soon.

CHAPTER - 8

MY TRADES

"Learn every day, but especially from the experiences of others. It's cheaper!"

John Bogle

Sir John Templeton correctly said that the four most expensive words in the English language are "This **time it's different.**" This holds to stocks as well.

Price patterns and Volume surges have been there since the market exists and they **keep repeating themselves over and over**. Legendary investors understood that and made huge sums of money identifying recurring price patterns.

Let's explore some of the trades that gave me good returns in a relatively short period.

JAGSONPAL PHARMA stock traded between Rs 35 to 40 for almost 4 months with an average daily volume of 30-40 thousand shares per day. On 14th November 2020, it gave a strong breakout closing at Rs 48 with the high of the day at 49.30. What was remarkable was the volume. On breakout day the stock's volume was above 5 lacs. It was a huge surge from the daily average of 30-40 thousand. That's it. The next day I purchased the stock just above the high of the previous day. My average purchase price was Rs 50. That same day the stock closed at Rs 57.65. I was right that the move is on.

In 9 months, the stock reached a high of Rs 200. It was a 300% gain in just under a year or you can say my initial investment grew 4 times in just 9 months. See the chart below. Arrow indicates my entry point. Look at the volume surge below as compared to previous days.

Let's have a look at one more chart. ADANI GREEN ENERGY's weekly volume was around 30 lacs shares per week. But then in September 2019, the weekly volume surged to 1 crore shares per week. Following 4-5 weeks all had 1-2 crores shares traded every week. Seeing this remarkable sustained surge I entered the stock at Rs 58 in October 2019. It went sideways for a few days after my entry only to resume its upward journey with huge volumes. It went up to 100 in a month and by January 2020 it touched 250. I took half of my shares out from the stock and allowed the remaining half to ride the trend.

This sustained volume surge propelled the stock to Rs 1400 in just 20 months. A 2300% move(From 58-1400) in just under 2 years.

Look at the arrow in the chart. Look at 5 weeks of continuous up move with huge volumes. This stock gave multiple entry opportunities. Have a close look at how volume dried up during the fall only to come back with force during the up move again. It gives you extra confirmation that the trend is valid and continuing.

These were some of my trades. I can share many more successful trades but for now, the point is clear. If you follow a system and stick to it, success will be yours in the markets.

CHAPTER-9

CONCLUSION

"I fear not the man who has practiced 10,000 kicks once, but I fear the man who has practiced one kick 10,000 times"

Bruce Lee

Bruce Lee's quote is true in every area of life and in trading too. You need to master one good setup to make a fortune in the markets, whatever the setup may be. If you are a swing trader, you will get multiple opportunities every year. If you are a breakout trader you will have ample chances month after month. The problem arises when we try to master many setups together instead of one.

Don't be an intraday trader, swing trader, position trader, and breakout trader at the same time. Master one and don't fall into the trap of jack of all trades. Once you master one setup then you can expand your expertise.

We have covered how you can avoid crowding your charts by so many indicators and can only trade with Volume. You can always rely on your setup and use volume as an extra confirmation.

We have covered how you can look for various key areas on charts and identify Volume surges in those areas to have a good entry point.

We have also covered how to have a proper entry plan, exit plan, and stop-loss plan before you enter the trade. We have also seen how candlesticks charts and specific price patterns give us an edge as a trader when combined with volume. We have also covered how you can use Volume to find multibagger stocks.

Now, go back and read the book again. Practice the concepts and setups shown in this book. Do Paper trading initially till you feel comfortable

trading with real money. Identify Volume surge and how price reacts to it. **Dedicate at least half an hour daily to read charts. Be a regular student of the markets and it will reward you handsomely.**

As we have seen, you don't have to be successful all the time. Even if half of your trades are right you can make very good money from the markets. Cut your losses at 10% loss maximum. Allow your winners to run 50%, 100%, 200%, and above. This way you will be on the right side of the markets most of the time.

Remember, always look at Volume as your guide and friend before making any trading decision. Decide today itself that you will not enter a setup that is not supported by a significant volume surge. Believe me, this decision alone can transform your trading.

Wishing you all the success in your trading journey.

FINAL WORDS

Please accept my gratitude for reading my book. I hope you have gained some useful knowledge on Volume based trading and investing. Please apply it in your trading and see how your results improve tremendously.

I sincerely apologize for any accidental omissions, typography, or grammatical mistakes in this book.

If you love reading this book, I request you to head over to Amazon to leave an honest and helpful review for me. I appreciate all your feedback and would love to hear what you have to say. Every review means a lot to me.

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I wish you all the success in your trading journey. Would love to hear your reviews, comments, and success stories.

Thanking you endlessly.
Jayesh Shah.